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MAINE REVENUE SERVICES
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ADMINISTRATIVE & FINANCIAL SERVICES

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Date Issued: June 10, 2004

Resale Law Changes Effective July 30, 2004

Fraudulent use of resale certificates costs the State of Maine millions of dollars each year in lost tax revenues. This new law is intended to address this problem by ensuring that only bona fide retail businesses can make tax-exempt purchases for resale, and by reducing the likelihood that legitimate retailers can use resale certificates to avoid payment of tax on items that are not intended for resale.

Quick Answers

- Q. What is changing?
A. MRS will now be issuing annual resale certificates.
- Q. What is the effective date of the change?
A. July 30, 2004
- Q. Will this change affect my sales tax certificate number?
A. No.
- Q. How will I receive a new annual resale certificate?
A. MRS will send them in a special mailing around the middle of July.
- Q. When will the new annual resale certificate expire?
A. December 31 of each year.
- Q. Will I have to re-apply for my new annual resale certificate each year?
A. No, as long as you are an active account with more than \$10,000 of annual gross sales.
- Q. Will I have to provide a copy of my annual resale certificate to all of my suppliers each year?
A. Yes.
- Q. What if I don't have my annual resale certificate with me when I want to buy for resale?
A. You will have to pay the sales tax and take a credit on your sales tax return.

Annual Resale Certificates will be issued by Maine Revenue Services

Maine Revenue Services (MRS) will issue a sales tax *Annual Resale Certificate* to active registered retailers reporting annual gross sales of \$10,000 or more. The *Annual Resale Certificate* will be mailed to existing retailers each year and will be provided to new businesses with their "Retailer" certificate. Use of the *Annual Resale Certificate* will be limited to types of items ordinarily purchased for resale by that business. Retailers are to make copies of these certificates and provide them to their vendors. Retailers reporting annual gross sales of less than \$10,000 will **not** be issued an *Annual Resale Certificate*, but will pay sales tax when they purchase items for resale and claim a credit on their sales tax return.

Old Resale Certificates Expire August 15, 2004

All existing resale certificates will expire on August 15, 2004. A retailer must obtain new *Annual Resale Certificates* from their customers by August 15, 2004. Since each calendar year MRS will reissue new *Annual Resale Certificates*, retailers will be required to update their files annually. MRS plans to develop an electronic verification process for large businesses. Retailers are reminded to retain all relevant books and records, including the "old" resale certificates, for a period of 6 years as required by the statute of limitations.

How will the new program work?

- Around the middle of July 2004, MRS will issue an *Annual Resale Certificate* to all active retailers reporting annual gross sales of \$10,000 or more based on returns filed during the previous 12 months.
- A provisional *Annual Resale Certificate* will be issued at the time of registration to new businesses that indicate estimated annual gross sales of \$10,000 or more. The provisional *Annual Resale Certificate* will be effective from the date of issuance through the end of the year (except certificates issued on or after October 1, which are effective through the end of the following year).
- In December of each year, MRS will evaluate all active sales tax accounts and issue a new *Annual Resale Certificate* to registered retailers reporting annual gross sales of \$10,000 or more.
- *Annual Resale Certificates* expire on December 31 of the calendar year printed on the certificate. Each year, retailers will furnish a copy of their new *Annual Resale Certificate* to vendors from which they purchase items for resale.

How will this affect retailers with less than \$10,000 annual gross sales?

Retailers reporting annual gross sales less than \$10,000 will **not** be issued an *Annual Resale Certificate*. They will be required to pay sales tax when they purchase items for resale. These retailers will be able to claim a credit on their sales tax return for the tax they paid on items that are actually resold. This credit must be taken on the same return that the sale is reported on and cannot be taken if the purchase was made more than 5 years prior.

Also included with this notice is a facsimile of the new *Annual Resale Certificate*.

For more information about these changes visit our website at www.maine.gov/revenue, call (207) 624-9693 or write to Maine Revenue Services, P.O. Box 1065, Augusta, Maine 04332-1065.

Documentation for future sales for resale

When a customer claims that a purchase is exempt for resale, the customer must present you with a copy of their *Annual Resale Certificate*. Have the customer fill in the type of items being purchased for resale, your business name and sign in the space provided. Keep this copy on file. If the customer makes subsequent purchases of items for resale, the annual resale certificate will be valid for those purchases as well. If the customer does not have their certificate with them, they must be charged the sales tax on that purchase. If the customer subsequently provides the certificate, the certificate will only be valid for purchases made to that customer on and after the date you receive it. Note: If the customer is an active retailer with MRS, they will be entitled to take a credit on their sales tax return for the tax paid on items they actually resell.


Other frequently asked questions:

- ***Will the new law cause my sales tax number to change?*** No. You will keep the same sales tax number unless the organization or ownership of your business changes, as under current law.
- ***Does the new law affect other types of exempt purchases?*** No. There is no change in the way other kinds of exempt purchases, such as sales to exempt organizations and sales to industrial users, are handled.
- ***How does this affect sales to out-of-state retailers claiming their purchase is for resale?*** Out-of-state retailers can continue to use the Multi-jurisdictional "Uniform Sales & Use Tax Certificate" issued by the Multistate Tax Commission to document their exempt purchase.
- ***Will I have to re-apply for sales tax registration every year?*** No. *Annual Resale Certificates* will be issued automatically at the end of each year to active retailers.

Sample of new Annual Resale Certificate

Do not give out the original; make copies to distribute when you purchase for resale.
Do not confuse this with the "Retailer" certificate (see sample below).

Purchaser's business name will be printed here.	Purchaser's Sales Tax Number	Type of activity this business is engaged in
Valid Date of Certificate		



STATE OF MAINE
MAINE REVENUE SERVICE

ANNUAL RESALE CERTIFICATE

THIS CERTIFICATE IS VALID
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

Business Name and Location Address	Certificate Number	Business Type
ABC Corporation Any Name Street Anytown, ME 00000-0000	0000000	Grocery

This is to certify that the above named business is authorized to purchase tangible personal property for resale during the period identified on this certificate. **This certificate cannot be reassigned or transferred and can only be used by the above business or its authorized employees. This certificate is void if the business has ceased operating or if the certificate has been altered.**

Acting State Assessor


The above named business certifies that the following items of tangible personal property will be resold as tangible personal property in the ordinary course of their business:

Presented to: _____ Presented by: _____
(Insert name of seller on photocopy) (date) Authorized Signature (purchaser) (date)

Purchaser enters a list of items that qualify as purchases for resale	Enter the Vendor's name	Purchaser signs and dates the certificate	State Tax Assessor's signature will appear here
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Sample of new Retailer Certificate

This is issued by MRS at the time of registration and must be conspicuously displayed at the location of the business.



STATE OF MAINE
MAINE REVENUE SERVICE

THIS REGISTRATION CERTIFICATE FOR A
RETAILER

is issued under the provisions of MRSA, Title 36, Part 3, §1754-B to:

ABC Corporation
Any Name Street
Anytown, ME 00000-0000

Registration Number: **0000000** Date Issued: **MM DD, YYYY**

Business Code: 000
Filing Frequency: Monthly

Acting State Tax Assessor

This certificate must be conspicuously displayed at the location from which sales are made.

Phone: (207)624-9693 TDD: (207)287-4477 Fax: (207)287-6628
www.maine.gov/revenue